

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	SETTLEMENT
MIDAMERICAN ENERGY COMPANY FOR)	STIPULATION
AUTHORITY TO INCREASE ITS NATURAL)	
GAS RATES)	NG14-005
)	

It is hereby stipulated and agreed by and between MidAmerican Energy Company (“Applicant” or “MidAmerican”) and the South Dakota Public Utilities Commission Staff (“Staff”), collectively “Parties”, that the following Settlement Stipulation (“Stipulation”) may be adopted by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter. In support of its Application for Authority to Increase Its Gas Rates (“Application”), Applicant does hereby offer this Stipulation, the Application and all supporting materials filed August 4, 2014, and thereafter. The Parties offer no answering testimony or exhibits, conditioned upon the Commission accepting the following Stipulation without any material condition or modification.

I. INTRODUCTION

On August 4, 2014, MidAmerican filed with the Commission the aforementioned Application through which it requested authority to increase annual revenues by approximately \$2.9 million annually based on MidAmerican’s test year ending December 31, 2013. On August 27, 2014, the Commission issued an Order Assessing Filing Fee and Suspending Operation of Proposed Rates for 180 days. On February 1, 2015, MidAmerican implemented interim rates.

The Parties have been able to resolve all issues between them in this proceeding and have entered into this Stipulation, which, if accepted and ordered by the Commission, will determine the rates to result from MidAmerican’s Application.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving the issues between them in Docket No. NG14-005. The Parties acknowledge that they may have differing views that justify the end result, which they deem to be just and reasonable, and, in light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1) Upon execution of the Stipulation, the Parties shall file this Stipulation with the Commission, together with a joint motion, requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2) This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any changes in or conditions to this Stipulation which are unacceptable to either Party, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.

3) This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed, or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be advantaged or prejudiced or bound thereby in any other

current or future rate proceeding before the Commission. Neither Party nor a representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission relating to this Stipulation as precedent in any other present or future rate proceeding or any other proceeding before the Commission.

4) The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers will be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, Commission Staff would have filed direct testimony, MidAmerican would have filed rebuttal testimony responding to certain positions contained in the direct testimony of Commission Staff, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to cross-examination.

5) It is understood that Commission Staff enters into this Stipulation for the benefit of all of MidAmerican's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Revenue Requirement

The Parties agree that the total revenue deficiency is \$1,485,212. The Parties agree that MidAmerican's tariffs will be designed to produce an increase in annual base rate levels of \$1,485,212 or approximately 5.67% annually for retail natural gas service in South Dakota. The Parties agree to a 6.92% rate of return on rate base.

2. Tariffs

The Parties agreed to revised tariffs and those tariffs are attached as Exhibit 1 for presentation to the Commission.

The Parties agree that the rate design to be set forth in the revisions to MidAmerican's tariffs is just and reasonable and provides for the movement of each customer class toward its associated cost of service. The Parties agree that the increase in rates for gas service will be allocated to the affected rate classes resulting in increases as shown in Exhibit 2. The Parties agree that the rates agreed to by the Parties result in just and reasonable rates for all of MidAmerican's South Dakota customers.

The Parties agree that the revised rate schedules shall be implemented for service rendered on and after the Commission approved effective date, with the bills prorated so that usage prior to July 1, 2015, is billed at the previous rates and usage on and after July 1, 2015, is billed at the new rates.

3. Interim Rate Refund

Interim rates were implemented on February 1, 2015. Approval of this Stipulation will authorize a rate increase less than the interim rate level in effect. MidAmerican agrees to refund customers a portion of the interim rates collected during the period February 1, 2015, through the effective date of new rates, plus interest. MidAmerican will separately file proposals for the Interim Rate Refund Plan and the Customer Notifications.

4. Rate Case Expense

The Parties agree that a total of \$82,307 in rate case expense associated with Docket No. NG14-005 is included in the Rate Case Expense amortization and included in the revenue requirement.

5. Retirement Plan Costs

The Parties agree that any rate case filed within the five years after approval of this case will reflect a three-year average of retirement plan costs.

6. Depreciation Rates

MidAmerican shall advise Staff and the Commission of the results of any depreciation study of its natural gas plant conducted.

7. Moratorium

A. The Parties agree that MidAmerican shall not file any rate application for an increase in base rates which proposed increase would go into effect prior to February 1, 2018; provided, this restriction would not prevent MidAmerican from filing for a base rate increase to take effect prior to February 1, 2018, if MidAmerican's cost of service is expected to increase due to an "Extraordinary Event." The Parties agree that this rate moratorium does not apply to any rider or other adjustment mechanism, including, but not limited to, the Purchased Gas Adjustment, the Tax Adjustment, the Btu Adjustment, the Gas Energy Efficiency Cost Recovery or any adjustment mechanism available that may take effect on or after July 1, 2015.

B. As used in this Stipulation "Extraordinary Event" is any one of the following occurrences:

1) Governmental Impositions – Changes in federal, state or local governmental requirements or governmental charges including, but not limited to, income taxes, taxes, charges or regulations imposed on energy, emissions or environmental externalities after July 1, 2015, upon MidAmerican that are projected to cause its South Dakota cost of service to increase by \$500,000 or greater. Increases in MidAmerican's South Dakota cost of service that are less than \$500,000 will be presumed not to be material for the purposes of this paragraph.

2) Major Capital Additions – New capital projects with individual budgets expected to be allocated to the South Dakota jurisdiction greater than \$10,000,000.

This Stipulation is entered into effective this 3rd day of June, 2015.

MIDAMERICAN ENERGY COMPANY

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

/s/ Michael C. Fehr
BY: _____
Michael C. Fehr

/s/ Kristen Edwards
BY: _____
Kristen Edwards

ITS: Vice President, Regulation

ITS: Staff Attorney

Exhibits to Settlement Stipulation

- Exhibit 1 Tariffs
- Exhibit 2 Allocation of Rate Increase